

Executive Registry

77-1681

27 June 1977

MEMORANDUM FOR: Director of Central Intelligence

FROM: Herbert E. Hetu
Assistant to the Director
(Public Affairs)

SUBJECT: Request from Charles J.V. Murphy
for Interview/Discussion

1. Charles J.V. Murphy is preparing an in-depth article for Fortune magazine on the foreign intelligence process. He is putting together a description of the estimating process in the intelligence cycle concentrating, in his words, on "how the President gets his intelligence information."

2. Mr. Murphy is a highly regarded gentleman--writer of the old school in the tradition of a Drew Middleton. He has been a writer/editor with Fortune for 34 years. He also has worked with Time-Life and the Reader's Digest. He was a military intelligence officer. He has always been very favorably disposed toward the Agency and has written several very well-balanced articles about CIA and intelligence.

3. He has asked to talk with both you and Mr. Bowie--not together, necessarily. There is no great urgency to Mr. Murphy's request--sometime in the next several weeks. I think much could be gained by talking with him and recommend you do so.

Herbert E. Hetu

APPROVED: /s/ Stansfield Turner
Director of Central Intelligence

21 JUN 1977
Date

DISAPPROVED: _____
Director of Central Intelligence

Date

A/DCI/PAO/HEH/kgf/27 June 1977

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THE SECRETARY OF TRANSPORTATION

WASHINGTON, D. C. 20590

June 27, 1977

Admiral Stansfield Turner
Director, Central Intelligence Agency
Washington, D. C. 20505

Dear Admiral Turner:

You are cordially invited to attend ceremonies for Mr. John McGrath Sullivan, who will be sworn in as Administrator of the Federal Railroad Administration on July 5, 1977.

The ceremonies will take place at 2:00 p.m. in Room 2230 of the Department of Transportation Building, 400 Seventh Street, S. W., Washington, D. C.

Kindly inform us whether or not you plan to attend. Please call Mrs. Mary Smith at (202) 426-0710.

I will look forward to seeing you.

Sincerely,

Brock Adams

(EXECUTIVE REGISTRY FILE)



Central Intelligence Agency
Washington, D.C. 20505
(703) 351-7676

Executive Registry
77-8131

Herbert E. Hetu
Assistant for Public Affairs

6-27-77

Bernie —

Article on "loss" of
nuclear material which
was mentioned in this
morning's staff meeting —

AT



(EXECUTIVE REGISTRY FILE

Pub-Affairs

U.S. Unravels Apollo's Losses of Nuclear Material

By John Flaska

Washington Star Staff Writer

The Nuclear Regulatory Commission is preparing to make the momentous announcement, according to several sources within the agency, that over the years the government has been unable to account for several tons of bomb-grade materials used in various nuclear fuel programs.

The problem, hinted at for years, will be described for the first time in specific numbers. Those numbers, according to the sources, will show that the great majority of the losses are traceable to "chronically sloppy" accounting procedures at facilities used to fabricate fuel for Adm. Hyman Rickover's nuclear submarine fleet.

The traditional explanation for what is known in this rather exotic trade as a "MUF," or Material Unaccounted For, is that it is material stuck somewhere in the pipes of a facility or material that has been mistakenly discarded as waste.

Research within the NRC, however, according to the sources, has shown that the agency cannot rule out the possibility that some of the material may have been stolen. "The accounting was so damn poor that there is no way for determining what happened to it," one source explained.

HIGHLY ENRICHED uranium, the material used to power submarine reactors, is an extremely dense metal. A cubic foot of it weighs over half a ton. A strategic quantity, the amount that could be made into a small atomic bomb, would fit into a container slightly larger than a teacup.

Fuel fabrication for the submarine reactors takes place at several sites throughout the country, but the one most familiar to NRC inspectors is

probably a facility at Apollo, Pa., 30 miles northeast of Pittsburgh, where MUF's have gone on for years, where millions of dollars worth of bomb-grade metal has disappeared and where repeated violations of government regulations has produced little more than an occasional slap on the wrist for the plant's operators.

The full story of what has happened at Apollo is still shrouded in government secrecy. According to two NRC sources, the losses at Apollo and other submarine fuel facilities are so embarrassing that Adm. Rickover has been looking for ways to prevent the release of MUF numbers.

Asked for a comment, a Rickover spokesman said that this is not true. The responsibility to safeguard nuclear fuels in the fabrication stage has "never been the responsibility of the admiral," he added, pointing out that the jurisdiction has traditionally fallen to inspectors of the former Atomic Energy Commission and its regulatory successor, the NRC.

In recent weeks several documents have quietly been released by the NRC which begin to unravel the mysteries of Apollo.

IN LATE 1956 a company called NMEC was formed by three former AEC scientists led by Dr. Zalman M. Shapiro. They purchased an old steel fabrication plant at Apollo and began to solicit government contracts to process various nuclear materials.

AEC officials first began to worry about losses in the plant during the early '60s, when NMEC was processing a large quantity of highly enriched uranium for use in a nuclear rocket called NERVA, a project later scrapped by the AEC.

Since there was no formal regulatory apparatus at that time, the government officials wondered how to account for the mounting losses which had grown to the point that in 1964, when the Chinese detonated a nuclear device, some intelligence officials wondered whether the material had been stolen from Apollo. Later, when U-2 flights discovered uranium enrichment sites in China, their attention eased somewhat. But a year after that, the problem resurfaced when AEC inspectors, according to a NMEC case history released by the NRC, calculated that the loss of 206 pounds of the material — roughly enough to make 20 atomic bombs — could not be accounted for through any known "loss mechanism" at the plant.

One day after the survey at the plant was completed, according to this document, NMEC officials hired one of the principal AEC inspectors. The incident was reported to the Department of Justice as a possible conflict of interest, but Justice determined that "the matter did not warrant prosecutive action."

A BROAD SECRET investigation was mounted. Over 400 past and present NMEC employees were interviewed and a considerable portion of a waste burial ground at the plant was dug up in an effort which located some of the missing material. In the end, though, NMEC officials had to pay the government \$929,000, the value of uranium which could not be accounted for, according to the case history.